Which IRA is Right for You?

TRADITIONAL AND ROTH IRA

What's the Difference Between a Traditional IRA and a Roth IRA?

Traditional IRA—The traditional IRA allows you to **defer taxes** on the earnings on your contributions until they are withdrawn. Also, depending on eligibility, contributions are **tax deductible** in the tax year for which you make them.

Roth IRA—The Roth IRA gives retirement savers a different incentive—**nontaxable** distributions. Regular Roth IRA contributions are **not tax deductible,** so owners will not pay federal taxes on distributions of these contributions. Under certain conditions, the earnings on Roth IRA contributions are also **nontaxable** when distributed. Therefore, if you expect to be in a higher tax bracket when you take distributions in retirement, for this and other reasons you may benefit more from a Roth IRA than from a traditional IRA.

Am I Eligible to Make a Regular Contribution to Either Account?

Traditional IRA—You are eligible to make regular contributions to a traditional IRA if you are younger than age 70½ for the entire tax year and you or your spouse have compensation.

Roth IRA—You are eligible to make regular contributions to a Roth IRA if you or your spouse have compensation and your modified adjusted gross income (MAGI) for any tax year does not exceed certain prescribed limits. These limits are subject to annual cost-of-living adjustments (COLAs), if any.

You may establish a traditional or Roth IRA even if you already participate in or are receiving a contribution in a retirement plan sponsored by your employer which may include qualified plans (including a 401(k)), certain government plans, tax-sheltered annuities, simplified employee pension (SEP) plans, and Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plans.

Traditional IRA or Roth IRA—Tax Deductions or Tax-Free Earnings?

2013 MAGI LIMITS			
Modified AGI (MAGI)	Single	Married, Filing Jointly	Married, Filing Separately*
Less than $10,000	Full Contribution	Full Contribution	Phaseout
$ 10,000 - $112,000	Full Contribution	Full Contribution	No Contribution
$112,001 - $126,999	Phaseout	Full Contribution	No Contribution
$127,000 - $178,000	No Contribution	Full Contribution	No Contribution
$178,001 - $187,999	No Contribution	Phaseout	No Contribution
$188,000 or over	No Contribution	No Contribution	No Contribution

**If you are married, filing separately, and lived apart from your spouse the entire year, you can use the MAGI limit for a single filer to determine your contribution limit.*

2014 MAGI LIMITS			
Modified AGI (MAGI)	Single	Married, Filing Jointly	Married, Filing Separately*
Less than $10,000	Full Contribution	Full Contribution	Phaseout
$ 10,000 - $114,000	Full Contribution	Full Contribution	No Contribution
$114,001 - $128,999	Phaseout	Full Contribution	No Contribution
$129,000 - $181,000	No Contribution	Full Contribution	No Contribution
$181,001 - $190,999	No Contribution	Phaseout	No Contribution
$191,000 or over	No Contribution	No Contribution	No Contribution

**If you are married, filing separately, and lived apart from your spouse the entire year, you can use the MAGI limit for a single filer to determine your contribution limit.*

How Much Can I Contribute Each Year?

You may contribute any amount up to 100 percent of your compensation or the amount set forth in the chart that follows, whichever is less, aggregated between a traditional and a Roth IRA. Additionally, if you have attained age 50 or older by the end of your tax year, you are eligible to make catch-up contributions.

The amount of any tax refund contributed directly to your IRA is subject to the annual contribution limit.

CONTRIBUTION LIMITS			
Tax Year	Contribution Limit	Catch-Up Limit	Total Limit for Age 50 and Over
2013	$5,500	$1,000	$6,500
2014	$5,500	$1,000	$6,500
2015 and later years	$5,500 + COLA*	$1,000	$6,500 + COLA*

**Subject to annual cost-of-living adjustments (COLAs), if any.*

Can I Deduct My Regular IRA Contribution?

Traditional IRA—Active participation in employer-sponsored retirement plans and MAGI determine whether you can deduct your IRA contribution. For example, if you and your spouse are not active participants, you may deduct your contribution, no matter how high your income. If you or your spouse is an active participant, the deduction is dependent on your MAGI and income tax-filing status. As your MAGI increases, your deduction decreases. Your tax professional can help you determine whether your contribution is deductible.

Even if you cannot deduct your contribution, you can still make nondeductible contributions and take advantage of the tax-deferred earnings.

Roth IRA—Roth IRA contributions are not deductible regardless of active participation status and/or MAGI.

Do I Pay Taxes When Distributed?

Traditional IRA—Yes, on the distribution of any tax-deductible contributions and on all earnings. Distributions that include these amounts are taxed as income in the year they are withdrawn.

Roth IRA—Since regular Roth IRA contributions are nondeductible, distributions of these amounts are not taxable. Another nice Roth IRA feature is that the rules consider all contributions to be distributed before any earnings. This gives you easier tax-free access to the assets. Earnings, however, may be subject to tax unless they are removed as a qualified distribution.

Qualified distributions—Distributions of earnings are not taxable if five years have passed since you established your first Roth IRA and you are at least age 59½, permanently disabled, taking first-time homebuyer distributions, or deceased.

Nonqualified distributions—Distributions of earnings are taxable for any reason other than stated above.

Can I Withdraw Assets Without Penalty?

You can withdraw assets from your traditional or Roth IRA without incurring the 10 percent early-distribution penalty tax any time after you reach age 59½. You can avoid the penalty tax before age 59½ for the following reasons: disability, substantially equal periodic payments, medical expenses in excess of 10 percent of your adjusted gross income, health insurance premiums if you have been receiving unemployment compensation for at least 12 weeks, distributions paid directly to the IRS due to an IRS levy, conversion to a Roth IRA, recharacterization, rollovers, qualified higher education expenses, a first-time home purchase, or a qualified reservist distribution.

Roth IRA distributions of regular contribution amounts are always free of penalty tax—regardless of timing or reason.

When Must I Withdraw Assets?

Traditional IRA—When you reach your age 70½ year, you are required to begin taking minimum required distributions and must take minimum distributions each subsequent year or risk additional penalty taxes.

Roth IRA—You are not required to take distributions from your Roth IRA.

Why Don't I Just Open Both Accounts?

Great idea! Opening both a traditional IRA and a Roth IRA lets you develop your own blend of tax-deductible contributions to your traditional IRA and nondeductible contributions to your Roth IRA. You can decide which is a greater priority for you: minimizing your taxes now through a deduction or minimizing your taxes in the future with tax-free earnings.

How Do I Find Out More About Traditional and Roth IRAs?

See any of our IRA representatives. We will explain the nature of these accounts in more detail and help you complete the forms necessary to establish your traditional and/or Roth IRA.

This brochure is intended to provide general information on federal tax laws governing traditional and Roth IRAs. It is not intended to provide legal advice or to be a detailed explanation of the rules or how such rules may apply to your individual circumstances. For specific information, you are encouraged to consult your tax or legal professional. IRS Publication 590, Individual Retirement Arrangements (IRAs), *and the IRS's web site, www.irs.gov, may also provide helpful information.*

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